



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 26, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **PROJECT NEW HOPE – A DEPARTMENT OF PUBLIC HEALTH
DIVISION OF HIV AND STD PROGRAMS PROVIDER – CONTRACT
COMPLIANCE REVIEW**

We completed a contract compliance review of Project New Hope (PNH or Agency), which included a sample of transactions from Contract Years (CYs) 2012-13 and 2013-14. The Department of Public Health, Division of HIV and STD Programs (DHSP) contracts with PNH to provide Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) services such as housing and residential care services.

The purpose of our review was to determine whether PNH provided the services outlined in their County contracts and appropriately spent DHSP Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and other applicable guidelines.

At the time of our review, DHSP had two contracts with PNH, and paid the Agency approximately \$2.5 million on a fee-for-service basis during CYs 2012-13 and 2013-14. PNH provides services to clients residing in all Supervisorial Districts.

Results of Review

PNH maintained adequate documentation to support clients' eligibility for Ryan White services, deposited DHSP cash receipts timely, and maintained personnel files as required. However, the Agency did not maintain a client fee schedule in compliance

with Ryan White requirements, and did not obtain approval from DHSP. We noted a similar finding in our prior monitoring review.

PNH's attached response indicates that they will implement our recommendations.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with PNH and DHSP. PNH's attached response (Attachment II) indicates that they agree with our findings and recommendations. DHSP will work with PNH to ensure our recommendations are implemented.

We thank PNH management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:ku

Attachments

c: Sachi A. Hamai, Interim Chief Executive Officer
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health
David Nahas, Board President, Project New Hope
Brigitte Tweddell, Executive Director, Project New Hope
Public Information Office
Audit Committee

**PROJECT NEW HOPE
DIVISION OF HIV AND STD PROGRAMS
CONTRACT COMPLIANCE REVIEW
CONTRACT YEARS 2012-13 AND 2013-14**

ELIGIBILITY

Objective

Determine whether Project New Hope (PNH or Agency) provided services to individuals who met the Department of Public Health, Division of HIV and STD Programs (DHSP), Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) eligibility requirements.

Verification

We reviewed the case files for ten (16%) of the 62 clients who received services from March 2013 through December 2013 for documentation to confirm their eligibility for Ryan White services.

Results

PNH had documentation to support the eligibility of the ten clients reviewed.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether PNH provided the services required by their County contracts and DHSP guidelines, clients received the billed services, and the Agency collected fees from eligible clients in accordance with their County contracts.

Verification

We visited three PNH service sites, and reviewed the case files for ten (16%) of the 62 clients who received services from March 2013 through December 2013. We also determined whether the Agency collected fees from clients in accordance with their approved client fee schedule.

Results

PNH provided the services required to the ten clients reviewed. However, the Agency's client fee schedule was not in compliance with Ryan White requirements, and PNH did not obtain approval from DHSP for their client fee schedule as required by Paragraph 48 of the Additional Provisions of their County contracts. We noted a similar finding in our prior monitoring review.

Recommendations**Project New Hope management:**

- 1. Revise their client fee schedule to be in compliance with Ryan White Comprehensive AIDS Resources Emergency Act requirements.**
- 2. Obtain approval from the Division of HIV and STD Programs for their client fee schedule, when required by their County contract.**

CASH/REVENUE**Objective**

Determine whether PNH properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed PNH management, and reviewed their financial records and October 2013 bank reconciliations for two bank accounts.

Results

PNH properly recorded revenue in their financial records, deposited DHSP cash receipts timely, and bank reconciliations were reviewed and approved by Agency management timely.

Recommendation

None.

EXPENDITURES/COST ALLOCATION PLAN**Objective**

Determine whether PNH's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to DHSP were allowable, properly documented, and accurately billed.

Verification

We reviewed PNH's Plan and their financial records for 28 non-payroll expenditures, totaling \$23,454, that the Agency charged to DHSP from March 2012 to November 2013. We also interviewed Agency personnel.

Results

PNH prepared their Plan in compliance with their County contracts and their expenditures were allowable, properly documented, and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether PNH appropriately charged payroll costs to DHSP and maintained personnel files as required.

Verification

We compared the payroll costs for six employees, totaling \$10,607 for November 2013, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for the same six employees.

Results

PNH maintained personnel files as required. However, the Agency billed DHSP \$2,462 in unsupported payroll expenditures. Specifically, one employee's timecards were not signed and approved by their supervisor. After our review, PNH provided signed timecards to support the payroll expenditures.

Recommendation

- 3. Project New Hope management ensure timecards are reviewed and signed by a supervisor.**

COST REPORTS

Objective

Determine whether PNH's Contract Year (CY) 2012-13 Cost Reports reconciled to their financial records.

Verification

We compared the Agency's CY 2012-13 Cost Reports to their financial records.

Results

PNH's CY 2012-13 Cost Reports reconciled to their financial records.

Recommendation

None.

Project New Hope

May 4, 2015

John Naimo, Auditor-Controller
County of Los Angeles
500 West Temple Street, Room 525
Los Angeles, CA 90012

Re: Agency Response/Corrective Action Plan in response to Contract Compliance Review for Project New Hope (PNH), Contract Year 2012/13 and 2013/14

Recommendation #1:

- A: Revise client fee schedule to be in compliance with Ryan White requirements.
- B: Obtain approval from the Division of HIV and STD Programs for the client fee schedule when required by the contract.

Agency Response:

Going forward, PNH will submit revised client fee schedules for approval by DHSP prior to implementation.

Recommendation #2:

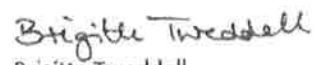
PNH management to ensure timecards are reviewed and signed by a supervisor.

Agency Response:

It is PNH policy that supervisors review and sign timecards each pay period.

Please feel free to call me at 213-250-9481 ext. 11 or e-mail me at btweddell@projectnewhope.org should you have any questions.

Warm regards,


Brigitte Tweddell
Executive Director
Project New Hope